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MSRB Eases Voluntary Bank Loan Disclosure for Issuers on EMMA

by Jack Casey
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WASHINGTON - The Municipal Securities Rulemaking Board has developed procedures for issuers to use to voluntarily disclose their bank loans on their home pages through EMMA in an effort to encourage such disclosures.

Bank loan disclosure has been an ongoing focus for the MSRB and credit rating agencies. They contend issuers' non-security debt obligations are important in determining a government's overall financial condition and the resources the government has to back its muni securities.

Bank loans have become a popular alternative to municipal securities for some issuers because they are cheaper and subject to much less regulation. While general information like the size of the loan usually ends up in an issuer's financial documents, specific details such as the loan terms are only disclosed on a voluntary basis.

The MSRB said in a release its new procedures for bank loan disclosures on EMMA will contribute to "transparency and fairness" in the municipal market.

"By integrating these voluntary disclosures with all other disclosure documents and recent trade activity of an issuer, EMMA issuer homepages make it easier for investors to browse for information to help them make informed decisions about municipal securities," the board said.

Katherine Newell, director of risk management for the New Jersey Educational Facilities Authority, said her office is recommending its college and university clients consider the new capabilities the MSRB is offering, although she emphasized that it is the individual client's decision to make the voluntary disclosures and that the clients already inform credit agencies about their bank loans if they have them.

She added the issuer clients should be aware of the ongoing discussions on the topic, which includes a white paper released in 2013 by 10 market groups to help issuers make decisions on whether to disclose bank loan information.

The paper laid out specific information an issuer could consider disclosing in regard to bank loans, including the date of incurrence, principal amount, maturity and amortization, the interest rate, and information about what would constitute a default and remedies, if different than for the issuer's outstanding bonds. It also recommended the voluntary disclosures be made within 10 business days of the execution of the bank loan, which is the same amount of time issuers are given to disclose material events related to securities trading under Securities and Exchange Commission Rule 15c-2-12.

Newell said the ongoing discussion about bank loan disclosure makes it more likely "the idea will catch on" with issuers. "The longer an issue like this is reported about, ultimately people will move toward making the disclosures," she said.

Allen Robertson, a shareholder at Robinson, Bradshaw & Hinton who worked on the 2013 white paper, said the MSRB change will be "good and helpful" for investors, but will not necessarily change the frequency or amount of voluntary bank loan disclosure. He said an increase in disclosure will take "continued additional education of issuers about the need for that disclosure and the desire from the buy side for that disclosure."

Susan Gaffney, executive director for National Association of Municipal Advisors, said NAMA is pleased with the MSRB's efforts to continue expanding EMMA.

"Discussion of bank loan disclosure has been a hot topic for many years and this effort will go a long way to provide a place for issuers to post their information, thus giving investors an easy way to know more about [issuers'] credit," she said.